

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

| | | | |
|--|-------------------------|--|------------------|
| Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other | | Local Unit Name ASH TOWNSHIP | County MONROE |
| Fiscal Year End 03/31/07 | Opinion Date 7/03/07 | Date Audit Report Submitted to State 07/23/07 | |

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

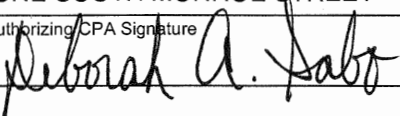
YES ☒ NO ☐

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

| | | | |
|--|-------------------------------------|--|------------------------------|
| We have enclosed the following: | Enclosed | Not Required (enter a brief justification) | |
| Financial Statements | <input checked="" type="checkbox"/> | | |
| The letter of Comments and Recommendations | <input checked="" type="checkbox"/> | | |
| Other (Describe) | <input type="checkbox"/> | | |
| Certified Public Accountant (Firm Name) COOLEY HEHL WOHLGAMUTH & CARLTON, PLLC | | Telephone Number (734)241-7200 | |
| Street Address ONE SOUTH MONROE STREET | | City MONROE | State MI |
| | | Zip 48161 | |
| Authorizing CPA Signature  | | Printed Name DEBORAH A. SABO | License Number 1101025211 |

ASH TOWNSHIP
Monroe County, Michigan

ANNUAL FINANCIAL REPORT
March 31, 2007

ASH TOWNSHIP

Township Officials and Board
March 31, 2007

TOWNSHIP OFFICIALS

Supervisor Robin Carmack
Clerk Shelly Ratz
Treasurer Lucille Mell

TOWNSHIP BOARD

Robin Carmack
Shelly Ratz
Lucille Mell
James Booth
Terry Wickenheiser

ASH TOWNSHIP

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WOHLGAMUTH & CARLTON**
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Division for CPA Firms American Institute of
Certified Public Accountants

Independent Auditor's Report

Township Board
Ash Township
Monroe County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities each major fund, and the aggregate remaining fund information of Ash Township, Monroe County, Michigan, as of and for the year ended March 31, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Ash Township, Monroe County, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Ash Township, Monroe County, Michigan, as of March 31, 2007, and the respective changes in financial position and where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 3 through 9 and 41 through 43, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Township Board
Ash Township

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Ash Township, Monroe County, Michigan's basic financial statements. The comparative, combining, and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The comparative, combining, and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Cooley Hehl Wohlgamuth & Carlton
July 3, 2007

ASH TOWNSHIP

Management's Discussion and Analysis Year Ended March 31, 2007

This section of Ash Township's annual financial report presents our discussion and analysis of the Township's financial performance during the fiscal year ended March 31, 2007. Please read it in conjunction with the Township's financial statements, which immediately follow this section. This summary should not be taken as a replacement for the audit which consists of the financial statements and other supplemental information that presents all the Township's revenues and expenditures by program for the General Fund, Special Revenue Funds, Debt Service Fund, and Proprietary Fund.

The Governmental Accounting Standards Board (GASB) adopted this reporting model in *Statement No. 34 Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, issued June, 2000. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Ash Township financially as a whole. The ***Government-Wide Financial Statements***, which include the Statement of Net Assets and the Statement of Activities, provide information about the activities of the Township as a whole and presents both a short-term and a long-term view of those finances. The ***Fund Financial Statements*** provide the next level of detail. For governmental activities, these statements explain how services were financed in the short-term as well as what remains for future spending. The ***Fund Financial Statements*** report the Township's operations in more detail than the ***Government-Wide Financial Statements*** by providing information about the Township's most significant funds - the General Fund, the Building Department Fund, and the Water and Sewer Fund. The following summary illustrates how the various parts of this annual report are arranged:

Management's Discussion and Analysis (MD&A) (Required Supplemental Information)

Basic Financial Statements

Government-Wide Financial Statements Fund Financial Statements

Notes to the Basic Financial Statements

*Budgetary Information for Major Funds
(Required Supplemental Information)*

Other Supplemental Information

ASH TOWNSHIP

Management's Discussion and Analysis Year Ended March 31, 2007

Government-Wide Financial Statements

The Statement of Net Assets and the Statement of Activities (pages 10-12), which appear first in the Township's financial statements, report information on the Township as a whole and its activities. These statements include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two government-wide statements report the Township's net assets and changes in them. The change in net assets provides the reader a tool to assist in determining whether the Township's financial health is improving or deteriorating. The relationship between revenues and expenses indicates the Township's operating results. However, the Township's goal is to provide services to our residents, not generate profits as commercial entities do. One must consider many other non-financial factors, such as the quality of the services provided and the safety of the public to assess the overall health of the Township.

The government-wide financial statements of the Township are divided into two categories:

Governmental activities – The governmental activities for the Township, which encompass Township services, include general government services, public safety, public works, and recreation and cultural services. Property taxes, state-shared revenue, and charges for services provide most of the funding.

Business-type activities – The Township charges fees to customers to help it cover the costs of certain services it provides. The Township's water and sewer systems are treated as business-type activities.

Fund Financial Statements

The Township's Fund Financial Statements (pages 13-23) provide detailed information about the most significant or "major" funds - not the Township as a whole. Some funds are required to be established by State law and by bond covenants. However, the Township establishes other funds to control and manage money for particular purposes or to show that it is properly using revenues. The Township's three types of funds, governmental, proprietary, and fiduciary use different accounting approaches as described below:

Governmental funds - Many of the Township's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year-end that are available for spending. They are reported using the modified accrual accounting method, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the Township and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation format in the financial section on pages 14 and 16.

ASH TOWNSHIP

Management's Discussion and Analysis Year Ended March 31, 2007

Fund Financial Statements (Concluded)

Proprietary fund – A Proprietary Fund is used to account for business-type activities of the Township which consists of the Water and Sewer Fund. This fund accounts for the services provided by the Township where the Township charges customers for the services it provides. This fund uses accrual accounting; the same method used by private sector business.

Fiduciary funds – An Agency Fund is used to account for assets held by the Township as an agent for the collection and disbursement of property taxes.

Government-Wide Financial Analysis

Recall that the Statement of Net Assets provides the perspective of the Township as a whole. Table 1 provides a summary of the Township's net assets as of March 31, 2007:

Table 1:

Condensed Statement of Net Assets March 31, 2007

| | Governmental Activities | | Business-Type Activities | | Total | |
|-------------------------------|----------------------------|--------------------|-----------------------------|---------------------|---------------------|---------------------|
| | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 |
| Current and other assets | \$3,608,786 | \$3,353,965 | \$10,596,746 | \$8,445,237 | \$14,205,532 | \$11,799,202 |
| Capital assets, net | 1,327,883 | 1,371,694 | 13,505,789 | 10,119,046 | 14,833,672 | 11,490,740 |
| Total Assets | 4,936,669 | 4,725,659 | 24,102,535 | 18,564,283 | 29,039,204 | 23,289,942 |
| Current and other liabilities | 123,085 | 120,005 | 962,199 | 652,946 | 1,085,284 | 772,951 |
| Long-term liabilities | 415,000 | 490,000 | 5,796,813 | 3,580,000 | 6,211,813 | 4,070,000 |
| Total Liabilities | 538,085 | 610,005 | 6,759,012 | 4,232,946 | 7,297,097 | 4,842,951 |
| Net Assets | | | | | | |
| Invested in capital | | | | | | |
| assets, net of related debt | 837,883 | 811,694 | 7,363,976 | 6,199,046 | 8,201,859 | 7,010,740 |
| Restricted for: | | | | | | |
| Building code enforcement | 0 | 14,872 | 0 | 0 | 0 | 14,872 |
| Debt service | 96,779 | 73,078 | 3,258,629 | 1,602,883 | 3,355,408 | 1,675,961 |
| Fire protection | 754,739 | 634,355 | 0 | 0 | 754,739 | 634,355 |
| Unrestricted | 2,709,183 | 2,581,655 | 6,720,918 | 6,529,408 | 9,430,101 | 9,111,063 |
| Total Net Assets | \$4,398,584 | \$4,115,654 | \$17,343,523 | \$14,331,337 | \$21,742,107 | \$18,446,991 |

As depicted in Table 1, the Township's net assets were \$21.7 million at March 31, 2007. Of this amount, a positive \$9.4 million was unrestricted. This amount represents the *accumulated* results of all past years' operations. The unrestricted net asset balance is used for working capital and cash flow needs as well as to provide for future uncertainties. It means that if we had to pay off all of our bills *today*, including all of our noncapital liabilities we could with our current resources. The operating results of the General Fund and the Water and Sewer Fund will have a significant impact on the change in unrestricted net assets from year to year.

ASH TOWNSHIP

Management's Discussion and Analysis Year Ended March 31, 2007

Government-Wide Financial Analysis - Concluded

The results of this year's operations for the Township as a whole are reported in the Statement of Activities (Table 2), which shows the changes in net assets for the fiscal year ended March 31, 2007.

Table 2:

Changes in Net Assets Year Ended March 31, 2007

| | Governmental Activities | | Business-Type Activities | | Total | |
|--|----------------------------|------------------|-----------------------------|------------------|--------------------|------------------|
| | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 |
| Revenues | | | | | | |
| Program revenues | | | | | | |
| Charges for services | \$215,800 | \$219,298 | \$1,393,612 | \$1,417,453 | \$1,609,412 | \$1,636,751 |
| Capital grants and contributions | 0 | 114,971 | 0 | 0 | 0 | 114,971 |
| | 215,800 | 334,269 | 1,393,612 | 1,417,453 | 1,609,412 | 1,751,722 |
| General revenues | | | | | | |
| Property taxes | 555,099 | 513,035 | 0 | 0 | 555,099 | 513,035 |
| State grants | 346,019 | 346,628 | 0 | 0 | 346,019 | 346,628 |
| Special assessments and developmental fees | 0 | 0 | 2,702,452 | 167,208 | 2,702,452 | 167,208 |
| Interest and penalties | 139,759 | 91,749 | 377,350 | 286,783 | 517,109 | 378,532 |
| Other general revenues | 59,390 | 18,250 | 5,150 | 26,525 | 64,540 | 44,775 |
| | 1,100,267 | 969,662 | 3,084,952 | 480,516 | 4,185,219 | 1,450,178 |
| Total Revenues | 1,316,067 | 1,303,931 | 4,478,564 | 1,897,969 | 5,794,631 | 3,201,900 |
| Functions/Program Expenses | | | | | | |
| Legislative | 20,914 | 25,266 | 0 | 0 | 20,914 | 25,266 |
| General government | 376,953 | 346,641 | 0 | 0 | 376,953 | 346,641 |
| Public safety | 347,485 | 325,408 | 0 | 0 | 347,485 | 325,408 |
| Public works | 192,197 | 145,992 | 0 | 0 | 192,197 | 145,992 |
| Recreation and cultural | 69,478 | 69,324 | 0 | 0 | 69,478 | 69,324 |
| Interest on long-term debt | 26,110 | 29,448 | 0 | 0 | 26,110 | 29,448 |
| Water and sewer | 0 | 0 | 1,466,378 | 1,329,679 | 1,466,378 | 1,329,679 |
| Total Expenses | 1,033,137 | 942,079 | 1,466,378 | 1,329,679 | 2,499,515 | 2,271,758 |
| Increase (Decrease) in Net Assets | \$282,930 | \$361,852 | \$3,012,186 | \$568,290 | \$3,295,116 | \$930,142 |

As indicated in Table 2, the cost of *all governmental* activities this year was \$1,033,137. Of this amount, \$215,800 was subsidized with revenue generated from charges for services with the remaining costs financed with general revenues, which consisted mainly of property taxes and state shared revenues. The Township's governmental activities experienced an increase in net assets of \$282,930. The increase in net assets differs from the change in fund balance. A reconciliation of the change in fund balances of the governmental funds to the change in net assets appears on page 16.

As indicated in Table 2, the cost of all business-type activities this year was \$1,466,378. The water and sewer systems are financed by charges to the Township's customers.

ASH TOWNSHIP

Management's Discussion and Analysis Year Ended March 31, 2007

Fund Financial Analysis

As noted earlier, the Township uses funds to help control and manage money for particular purposes. Looking at funds helps the reader consider whether Ash Township is being held accountable for the resources taxpayers and others provide to it and may give more insight into the Township's overall financial health.

As the Township completed this year, the governmental funds reported a combined fund balance of \$3,571,313, which is an increase of \$255,399 from last year. The changes by major and nonmajor funds are as follows:

| | Building | | | |
|--------------------------|-------------------------|----------------------------|---------------------------|--------------------|
| | General Fund | Department Fund | Nonmajor Funds | Total |
| Fund balances - | | | | |
| Beginning of Year | \$2,537,961 | \$14,872 | \$763,081 | \$3,315,914 |
| Increase (decrease) | 127,366 | (14,872) | 142,905 | 255,399 |
| Fund balances - | | | | |
| End of year | <u>\$2,665,327</u> | <u>\$ -</u> | <u>\$905,986</u> | <u>\$3,571,313</u> |

The Township's General Fund balance increase is due to many factors. Revenues were up in 2007 by 1.33%. The primary reason for the increase in the 2007 revenue is due to an increase in property taxes, interest income, and other revenue. Property tax revenue increased during 2007 because of the new subdivisions and land splits which greatly increased the taxable value. Also, expenditures decreased by 5.60%. The decrease is due to a decrease in legislative, general government, public safety, and recreation and cultural expenditures by \$173,871.

| | March 31, 2007 | March 31, 2006 | Percent Change |
|--------------------------------|---------------------------|---------------------------|---------------------------|
| Revenues | | | |
| Property taxes | \$352,596 | \$316,426 | 11.43 % |
| Licenses and permits | 19,782 | 18,727 | 5.63 % |
| State grants | 346,019 | 346,628 | (.18)% |
| Contributions from local units | - | 114,971 | (100.00)% |
| Charges for services | 1,100 | 3,825 | (71.24)% |
| Interest and penalties | 108,834 | 72,828 | 49.44 % |
| Other revenue | 86,818 | 29,761 | 191.72 % |
| Total Revenues | <u>\$915,149</u> | <u>\$903,166</u> | 1.33 % |

ASH TOWNSHIP

Management's Discussion and Analysis *Year Ended March 31, 2007*

Fund Financial Analysis – Concluded

| | March 31, 2007 | March 31, 2006 | Percent Change |
|---------------------------|---------------------------|---------------------------|---------------------------|
| Expenditures | | | |
| Legislative | \$ 20,914 | \$ 25,266 | (17.22)% |
| General government | 223,378 | 293,008 | (23.76)% |
| Public safety | 95,393 | 186,887 | (48.96)% |
| Public works | 229,534 | 184,295 | 24.55 % |
| Recreation and cultural | 55,392 | 63,787 | (13.16)% |
| Other | 140,619 | 60,503 | 132.42 % |
| Total Expenditures | \$765,230 | \$813,746 | (5.60)% |

General Fund Budgetary Highlights

The Uniform Budget Act of the State of Michigan requires the Township Board to adopt the original budget for the upcoming fiscal year prior to April 1, the start of the fiscal year. Over the course of the year, the Township revises its budget as it attempts to deal with the unexpected changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule illustrating the Township's original and final budget amounts compared with amounts actually paid and received is provided in the required supplemental information of these financial statements.

The revisions made to the original budget were relatively minor. Original revenues of \$699,200 were amended to increase revenue for an insurance claim and other revenue. The original budget for expenditures was \$931,860. The amendments increased elections, Township hall and grounds, playscape, insurance, and other expenses.

Capital Assets and Debt Administration

Capital Assets

As of March 31, 2007, the Township had \$19,721,000 invested in a broad range of capital assets, including land, building and building improvements, equipment, fire equipment, vehicles, and sewer and water lines. This amount represents a net increase (including additions and disposals) of \$3,736,139 from last year. This year's additions included construction in progress for a new fire station, office equipment, fire equipment, and the construction in progress for the water main. Depreciation for governmental activities totaled \$125,607 and depreciation for business-type activities totaled \$267,600. Detailed information regarding capital assets is included in Note 6 to the financial statements.

Debt

As of March 31, 2007, the Township had \$6,670,000 in bonds payable. The bonds payable is comprised of the following: library general obligation bonds of \$310,000; bonds for highway construction, improvement, maintenance and repair of \$180,000; and special assessment bonds of \$6,180,000. Detailed information regarding the Township's debt is included in Note 8 to the financial statements.

ASH TOWNSHIP

Management's Discussion and Analysis Year Ended March 31, 2007

Development of the 2008 Fiscal Year Budget

Ash Township officials considered many factors when setting the Township's 2008 budget. The Township used the 2007 budget as a template by reviewing the previous fiscal year's spending patterns. Thought is also given to important factors affecting the budget, such as state shared revenue, since it accounts for 43% of the Township's budgeted revenues. The appropriations for the majority of all of the functions of government remained fairly consistent with the previous fiscal year. The Township will continue to look to future improvements of the Township. These improvements may include the possibility of a new park, baseball diamonds, and a new fire station. Therefore, provisions were made to appropriate \$315,000 for the playscape and baseball diamonds, and \$155,000 for the fire station.

Contacting Ash Township

This financial report is designed to provide the Township's citizens, taxpayers, customers, investors and creditors with a general overview of the Township's finances and to demonstrate their accountability for the money it receives. If you have questions about this report or need additional information, contact Ash Township, 1677 Ready Road, P.O. Box 387, Carleton, MI 48117.

ASH TOWNSHIP

Statement of Net Assets March 31, 2007

| | Governmental Activities | Business-type Activities | Total |
|---|----------------------------|-----------------------------|--------------|
| Assets | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$1,455,309 | \$2,160,619 | \$3,615,928 |
| Certificate of deposit | 1,959,922 | 3,904,478 | 5,864,400 |
| Cash with fiscal agent | 0 | 226,649 | 226,649 |
| Receivables: | | | |
| Property taxes | 42,867 | 0 | 42,867 |
| Accounts and accrued interest | 76,924 | 261,446 | 338,370 |
| Special assessments | 0 | 3,964,248 | 3,964,248 |
| Due from other governmental units | 67,737 | 2,255 | 69,992 |
| Internal balances | 6,027 | (6,027) | 0 |
| Inventory | 0 | 83,078 | 83,078 |
| Non-current assets: | | | |
| Depreciable capital assets, net | 1,327,883 | 13,505,789 | 14,833,672 |
| Total Assets | 4,936,669 | 24,102,535 | 29,039,204 |
| Liabilities | | | |
| Current liabilities: | | | |
| Accounts payable | 14,280 | 366,160 | 380,440 |
| Accrued liabilities | 12,232 | 4,753 | 16,985 |
| Accrued interest | 0 | 99,427 | 99,427 |
| Refundable bonds | 17,000 | 0 | 17,000 |
| Escrow | 4,573 | 0 | 4,573 |
| Due to other governmental units | 0 | 102,501 | 102,501 |
| Customer deposits | 0 | 44,358 | 44,358 |
| Bonds payable - current portion | 75,000 | 345,000 | 420,000 |
| Non-current liabilities: | | | |
| Bonds payable - non-current portion | 415,000 | 5,796,813 | 6,211,813 |
| Total Liabilities | 538,085 | 6,759,012 | 7,297,097 |
| Net Assets | | | |
| Invested in capital assets, net of related debt | 837,883 | 7,363,976 | 8,201,859 |
| Restricted for: | | | |
| Debt service | 96,779 | 3,258,629 | 3,355,408 |
| Fire protection | 754,739 | 0 | 754,739 |
| Unrestricted | 2,709,183 | 6,720,918 | 9,430,101 |
| Total Net Assets | \$4,398,584 | \$17,343,523 | \$21,742,107 |

See accompanying notes to the basic financial statements.

ASH TOWNSHIP

Statement of Activities Year Ended March 31, 2007

| Functions/Programs | Expenses | Program Revenues | |
|-------------------------------|--------------------|-------------------------|--|
| | | Charges for Services | Capital Grants and Contributions |
| Primary government: | | | |
| Governmental activities: | | | |
| Legislative | \$20,914 | \$0 | \$0 |
| General government | 376,953 | 65,671 | 0 |
| Public safety | 347,485 | 140,058 | 0 |
| Public works | 192,197 | 10,071 | 0 |
| Recreation and cultural | 69,478 | 0 | 0 |
| Interest on long-term debt | 26,110 | 0 | 0 |
| Total Governmental Activities | 1,033,137 | 215,800 | 0 |
| Business-type activities: | | | |
| Water and Sewer | 1,466,378 | 1,393,612 | 0 |
| Total Primary Government | <u>\$2,499,515</u> | <u>\$1,609,412</u> | <u>\$0</u> |

General Revenues:

Property taxes
State grants
Special assessments and developmental fees
Interest and penalties
Other revenue

Total General Revenues

Change in Net Assets

Net Assets - Beginning of year

Net Assets - End of year

See accompanying notes to the basic financial statements.

| Net (Expense) Revenue and Changes in Net Assets Primary Government | | |
|--|-----------------------------|---------------------|
| Governmental Activities | Business-type Activities | Total |
| (\$20,914) | \$0 | (\$20,914) |
| (311,282) | 0 | (311,282) |
| (207,427) | 0 | (207,427) |
| (182,126) | 0 | (182,126) |
| (69,478) | 0 | (69,478) |
| (26,110) | 0 | (26,110) |
| (817,337) | 0 | (817,337) |
| 0 | (72,766) | (72,766) |
| (817,337) | (72,766) | (890,103) |
| 555,099 | 0 | 555,099 |
| 346,019 | 0 | 346,019 |
| 0 | 2,702,452 | 2,702,452 |
| 139,759 | 377,350 | 517,109 |
| 59,390 | 5,150 | 64,540 |
| 1,100,267 | 3,084,952 | 4,185,219 |
| 282,930 | 3,012,186 | 3,295,116 |
| 4,115,654 | 14,331,337 | 18,446,991 |
| <u>\$4,398,584</u> | <u>\$17,343,523</u> | <u>\$21,742,107</u> |

ASH TOWNSHIP

Governmental Funds Balance Sheet March 31, 2007

| | Special Revenue Fund | | Other Nonmajor | Total |
|--|----------------------|------------------------|-----------------------|-----------------------|
| | General | Building Department | Governmental Funds | Governmental Funds |
| Assets | | | | |
| Cash and cash equivalents | \$813,119 | \$8,251 | \$633,939 | \$1,455,309 |
| Certificate of deposit | 1,705,816 | 0 | 254,106 | 1,959,922 |
| Receivables: | | | | |
| Property taxes | 24,926 | 0 | 17,941 | 42,867 |
| Accounts and accrued interest | 76,874 | 50 | 0 | 76,924 |
| Due from other funds | 9,402 | 4,354 | 0 | 13,756 |
| Due from other governmental units | 67,737 | 0 | 0 | 67,737 |
| Total Assets | \$2,697,874 | \$12,655 | \$905,986 | \$3,616,515 |
| Liabilities and Fund Balances | | | | |
| Liabilities | | | | |
| Accounts payable | \$9,573 | \$4,707 | \$0 | \$14,280 |
| Accrued payroll | 1,620 | 0 | 0 | 1,620 |
| Due to other funds | 4,354 | 3,375 | 0 | 7,729 |
| Escrow | 17,000 | 4,573 | 0 | 21,573 |
| Total Liabilities | 32,547 | 12,655 | 0 | 45,202 |
| Fund Balances | | | | |
| Reserved for debt service | 0 | 0 | 106,247 | 106,247 |
| Unreserved: | | | | |
| Undesignated, reported in: | | | | |
| General Fund | 2,665,327 | 0 | 0 | 2,665,327 |
| Special Revenue Funds | 0 | 0 | 799,739 | 799,739 |
| Total Fund Balances | 2,665,327 | 0 | 905,986 | 3,571,313 |
| Total Liabilities and Fund Balances | \$2,697,874 | \$12,655 | \$905,986 | \$3,616,515 |

See accompanying notes to the basic financial statements.

ASH TOWNSHIP

*Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
Year Ended March 31, 2007*

| | | | |
|---|--|--------------------|----------------------------------|
| Total Fund Balances - Governmental Funds | | | \$3,571,313 |
| Amounts reported for governmental activities in the statement of net assets are different because: | | | |
| Capital assets used in governmental activities are not financial resources and are not reported in the funds: | | | |
| Cost of the capital assets | | 2,726,837 | |
| Accumulated depreciation | | <u>(1,398,954)</u> | |
| | | | 1,327,883 |
| Long-term liabilities, including bonds payable and accrued interest payable, are not due and payable in the current period and therefore are not reported in the funds: | | | |
| Accrued interest | | (10,612) | |
| Bonds payable | | <u>(490,000)</u> | |
| | | | <u>(500,612)</u> |
| Total Net Assets - Governmental Activities | | | <u><u>\$4,398,584</u></u> |

See accompanying notes to the basic financial statements.

ASH TOWNSHIP

Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances Year Ended March 31, 2007

| | Special Revenue Fund | | Other Nonmajor | Total |
|--|----------------------|------------------------|-----------------------|-----------------------|
| | General | Building Department | Governmental Funds | Governmental Funds |
| Revenues | | | | |
| Property taxes | \$352,596 | \$0 | \$229,935 | \$582,531 |
| Licenses and permits | 19,782 | 108,240 | 0 | 128,022 |
| State grants | 346,019 | 0 | 0 | 346,019 |
| Charges for services | 1,100 | 31,450 | 0 | 32,550 |
| Interest and penalties | 108,834 | 976 | 29,949 | 139,759 |
| Other revenue | 86,818 | 368 | 0 | 87,186 |
| Total Revenues | 915,149 | 141,034 | 259,884 | 1,316,067 |
| Expenditures | | | | |
| Legislative | 20,914 | 0 | 0 | 20,914 |
| General government | 223,378 | 0 | 0 | 223,378 |
| Public safety | 95,393 | 178,459 | 56,464 | 330,316 |
| Public works | 229,534 | 0 | 0 | 229,534 |
| Recreation and cultural | 55,392 | 0 | 0 | 55,392 |
| Other | 140,619 | 0 | 0 | 140,619 |
| Debt service | 0 | 0 | 60,515 | 60,515 |
| Total Expenditures | 765,230 | 178,459 | 116,979 | 1,060,668 |
| Excess (Deficiency) of Revenues Over Expenditures | 149,919 | (37,425) | 142,905 | 255,399 |
| Other Financing Sources (Uses) | | | | |
| Operating transfer in | 0 | 22,553 | 0 | 22,553 |
| Operating transfer out | (22,553) | 0 | 0 | (22,553) |
| Total Other Financing Sources (Uses) | (22,553) | 22,553 | 0 | 0 |
| Net Change in Fund Balances | 127,366 | (14,872) | 142,905 | 255,399 |
| Fund Balances - Beginning of year | 2,537,961 | 14,872 | 763,081 | 3,315,914 |
| Fund Balances - End of year | <u>\$2,665,327</u> | <u>\$0</u> | <u>\$905,986</u> | <u>\$3,571,313</u> |

See accompanying notes to the basic financial statements.

ASH TOWNSHIP

*Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds to the Statement of Activities
Year Ended March 31, 2007*

| | | |
|---|---------------|-------------------------|
| Net Change in Fund Balances - Total Governmental Funds | | \$255,399 |
| Amounts reported for governmental activities in the statement of activities are different because: | | |
| Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation expense. | | |
| Depreciation expense | (125,607) | |
| Capital outlay | <u>81,796</u> | |
| | | (43,811) |
| Accrued interest is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid. | | |
| | | 1,342 |
| Repayments of long term debt are an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt). | | |
| | | <u>70,000</u> |
| Change in Net Assets of Governmental Activities | | <u>\$282,930</u> |

See accompanying notes to the basic financial statements.

ASH TOWNSHIP*Proprietary Fund
Statement of Net Assets
March 31, 2007*

| | Business-type Activities Enterprise Fund Water and Sewer Fund |
|------------------------------------|---|
| Assets | |
| Current Assets: | |
| Cash | \$2,160,619 |
| Certificates of deposit | 3,904,478 |
| Cash with fiscal agent | 226,649 |
| Receivables - accounts | 261,446 |
| Receivables - special assessments | 3,964,248 |
| Due from other governmental units | 2,255 |
| Due from other funds | 3,375 |
| Inventory | 83,078 |
| Total Current Assets | 10,606,148 |
| Capital Assets: | |
| Water mains and hydrants | 11,022,105 |
| Water service connections | 728,387 |
| Water meters | 66,588 |
| Sewer gathering lines/pump station | 1,112,105 |
| Sewer service connections | 15,887 |
| Building | 139,145 |
| Other equipment | 96,440 |
| Construction in progress | 3,813,506 |
| | 16,994,163 |
| Less: Accumulated depreciation | (3,488,374) |
| Net Capital Assets | 13,505,789 |
| Total Assets | 24,111,937 |

See accompanying notes to the basic financial statements.

| | Business-type Activities Enterprise Fund Water and Sewer Fund |
|--|---|
| Liabilities | |
| Current liabilities: | |
| Accounts payable | \$366,160 |
| Accrued liabilities | 4,753 |
| Accrued interest | 99,427 |
| Due to other governmental units | 102,501 |
| Due to other funds | 9,402 |
| Customer deposits | 44,358 |
| Bonds payable - current portion | 345,000 |
| Total Current Liabilities | 971,601 |
| Non-current liabilities: | |
| Bonds payable - non-current portion - (net of amortized bond discount) | 5,796,813 |
| Total Liabilities | 6,768,414 |
| Net Assets | |
| Invested in capital assets, net of related debt | 7,363,976 |
| Restricted for debt service | 3,258,629 |
| Unrestricted | 6,720,918 |
| Total Net Assets | \$17,343,523 |

ASH TOWNSHIP

*Proprietary Fund
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Year Ended March 31, 2007*

| | Business-type Activities Enterprise Fund Water and Sewer Fund |
|---------------------------|---|
| Operating Revenues | |
| Charges for services: | |
| Metered water sales | \$1,018,792 |
| Sewer service charges | 113,779 |
| Maintenance fees | 78,669 |
| Water connection fees | 133,000 |
| Collection fees | 18,016 |
| | 1,362,256 |
| Penalties | 10,896 |
| Other revenue | 20,460 |
| | 1,393,612 |
| Operating Expenses | |
| Sources of supply: | |
| Wages | 12,123 |
| Contracted services | 103,524 |
| Utilities | 13,211 |
| Operating supplies | 46,520 |
| Water purchase | 414,063 |
| Depreciation | 23,119 |
| | 612,560 |
| Water transportation: | |
| Wages | 57,220 |
| Contracted services | 98,062 |
| Operating supplies | 53,055 |
| Engineering | 24,816 |
| Depreciation | 221,474 |
| | 454,627 |
| Sewer transportation: | |
| Wages | 3,014 |
| Contracted services | 700 |
| Operating supplies | 2,035 |
| Depreciation | 22,242 |
| | 27,991 |

See accompanying notes to the basic financial statements.

ASH TOWNSHIP

Proprietary Fund
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Year Ended March 31, 2007

| | Business-type Activities Enterprise Fund Water and Sewer Fund |
|---|---|
| Operating Expenses (continued) | |
| Meter maintenance: | |
| Wages | \$9,270 |
| Operating supplies | 16,649 |
| Depreciation | 765 |
| | <u>26,684</u> |
| Office and administration: | |
| Wages | 73,388 |
| Fringe benefits | 21,056 |
| Retirement | 18,571 |
| Contracted services | 8,547 |
| Professional fees | 11,484 |
| Office supplies and maintenance | 13,117 |
| Telephone | 3,326 |
| | <u>149,489</u> |
| Total Operating Expenses | <u>1,271,351</u> |
| Total Operating Income (Loss) | <u>122,261</u> |
| Non-Operating Revenues (Expenses) | |
| Special assessments | 2,636,452 |
| Developmental fees | 66,000 |
| Meter rental fees | 2,750 |
| Hydrant rental fees | 2,400 |
| Interest | 377,350 |
| Other | (1,897) |
| Interest expense | (190,588) |
| Paying agent fees | (1,729) |
| Amortization | (813) |
| | <u>2,889,925</u> |
| Total Non-Operating Revenues (Expenses) | <u>2,889,925</u> |
| Change in Net Assets | <u>3,012,186</u> |
| Net Assets - Beginning of Year | <u>14,331,337</u> |
| Net Assets - End of Year | <u><u>\$17,343,523</u></u> |

See accompanying notes to the basic financial statements.

ASH TOWNSHIP

*Proprietary Fund
Statement of Cash Flows
Year Ended March 31, 2007*

| | Business-type Activities Enterprise Fund Water and Sewer Fund |
|---|---|
| Cash Flows from Operating Activities | |
| Receipts from customers | \$1,354,653 |
| Customer deposits | 2,260 |
| Payments to suppliers | (589,422) |
| Payments to employees | (155,015) |
| Net cash provided (used) by operating activities | <u>612,476</u> |
| Cash Flows from Noncapital Financing Activities | |
| Special assessments | 500,494 |
| Developmental fees and rental fees | 71,150 |
| Other | (1,897) |
| Net cash provided (used) from noncapital financing activities | <u>569,747</u> |
| Cash Flows from Capital and Related Financing Activities | |
| Acquisition of capital assets | (3,654,343) |
| Bond proceeds net of bond discount | 2,561,000 |
| Principal payments on bonds payable | (340,000) |
| Interest paid | (154,360) |
| Paying agent fees | (1,729) |
| Net cash provided (used) for capital and related financing activities | <u>(1,589,432)</u> |
| Cash Flows from Investing Activities | |
| Interest income | <u>377,350</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | (29,859) |
| Cash and Cash Equivalents - Beginning of Year | <u>6,321,605</u> |
| Cash and Cash Equivalents - End of Year | <u><u>\$6,291,746</u></u> |

See accompanying notes to the basic financial statements.

ASH TOWNSHIP

*Proprietary Fund
Statement of Cash Flows
Year Ended March 31, 2007*

| | Business-type Activities Enterprise Fund Water and Sewer Fund |
|--|---|
| Reconciliation of Operating Income to Net Cash Provided by Operating Activities | |
| Operating income (loss) | \$122,261 |
| Adjustments to reconcile operating income (loss) to net cash from operating activities: | |
| Depreciation | 267,600 |
| Changes in operating assets and liabilities: | |
| (Increase) decrease accounts receivable | (62,533) |
| (Increase) decrease due from other funds | (875) |
| (Increase) decrease due from other governments | (309) |
| (Increase) decrease inventory | 18,307 |
| Increase (decrease) accounts payable | 240,136 |
| Increase (decrease) accrued liabilities | 871 |
| Increase (decrease) customer deposits | 2,260 |
| Increase (decrease) due to other governments | 24,758 |
| Net Cash Provided by Operating Activities | <u>\$612,476</u> |

See accompanying notes to the basic financial statements.

ASH TOWNSHIP

*Agency Fund
Statement of Fiduciary Net Assets
March 31, 2007*

| | <u>Tax Collection</u> |
|---------------------------------|---------------------------|
| Assets | |
| Cash | <u>\$33,770</u> |
| Total Assets | <u><u>\$33,770</u></u> |
| Liabilities | |
| Due to State of Michigan | \$203 |
| Due to Monroe County | 3,144 |
| Due to school districts | 177 |
| Due to other governmental units | 30,237 |
| Due to others | <u>9</u> |
| Total Liabilities | <u><u>\$33,770</u></u> |

See accompanying notes to the basic financial statements.

ASH TOWNSHIP

Notes to Financial Statements Year Ended March 31, 2007

Note 1 Description of the Township and Reporting Entity

The Township operates under a locally elected five member Board form of government and provides the following services: public safety, roads and drains, recreation and culture, public improvements, planning and zoning, water and sewer services, and general administrative services.

Reporting Entity

A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements are not misleading. The primary government of the Township consists of all funds, departments, boards, and agencies that are not legally separate from the Township.

Component units are legally separate organizations for which the Township is financially accountable. Component units may also include organizations that are fiscally dependent on the Township in that the Township approves their budget, the issuance of their debt, or the levying of taxes. The Township does not have any component units.

Note 2 Summary of Significant Accounting Policies

The financial statements of Ash Township have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Council (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Township also applies Financial Accounting Standards Council (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. Following are the more significant of the Township's accounting policies.

Basis of Presentation

A. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. As a general rule, the effect of interfund activity has been eliminated from the government-wide statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues are reported separately from business-type activities which rely, to a significant extent on fees and charges for support. The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Amounts reported as program revenue include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. General revenue includes taxes, intergovernmental payments, sales of property, and other items not properly included among program revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and agency funds, even though the latter are excluded from the government-wide financial statements. Major governmental funds and the individual enterprise fund are reported as separate columns in the fund financial statements.

ASH TOWNSHIP

Notes to Financial Statements *Year Ended March 31, 2007*

Note 2 Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide Statements - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Fund Financial Statements - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Governmental fund expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

On the governmental funds statements, property taxes, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the Township.

Agency fund statements also are reported using the economic resources measurement focus and the cash basis of accounting.

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. The General Fund accounts for all financial resources of the Township, except those required to be accounted for in another fund.

The Building Department Fund is a special revenue fund. The Building Fund accounts for rezoning fees, building permit revenue, and the expenditures of the building department.

The Township reports the following major proprietary fund:

The Water and Sewer Fund accounts for the provision of water and sewer services to residents of the Township.

The Township reports the following nonmajor governmental funds:

The Budget Stabilization Fund, the Fire Equipment Fund, and the Library Debt Service Fund.

ASH TOWNSHIP

Notes to Financial Statements *Year Ended March 31, 2007*

Note 2 Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Concluded)

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer Fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

C. Assets, Liabilities, and Net Assets or Equity

Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Property Tax Receivable - Property taxes are assessed as of December 31 and the related property taxes become a lien on July 1 and December 1 of the following year. Summer taxes are considered delinquent July 31 and Winter taxes are considered delinquent February 14 of the following year.

Prepaid Assets - Payments made to vendors for services that will benefit periods beyond March 31, 2007, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

Capital Assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. sewer lines, road, etc.) are reported in the applicable governmental or business-type activities columns of the government-wide financial statements. Capital assets are defined by the Township as assets with an individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost when actual cost information is not available. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All reported capital assets, other than land, are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

| <u>Description</u> | <u>Estimated Lives</u> |
|--------------------------------------|------------------------|
| Land Improvements | 20 years |
| Buildings and Buildings Improvements | 20-50 years |
| Machinery and Equipment | 3-10 years |
| Vehicles | 5-8 years |
| Sewer Lines | 50 years |

ASH TOWNSHIP

Notes to Financial Statements Year Ended March 31, 2007

Note 2

Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

C. Assets, Liabilities, and Net Assets or Equity (Continued)

Interfund Balances - On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "due to/from other funds." These amounts are eliminated in the governmental activities column of the statement of net assets. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

Accrued Liabilities and Long-Term Obligations - In the government-wide financial statements and proprietary fund financial statements, long-term debts, notes, and other obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund types statement of net assets.

In general, payables and accrued liabilities that once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Payments of long-term loans that are paid from governmental funds are recognized as an expenditure on the governmental fund financial statements when due.

Net Assets - Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments.

Interfund Transactions - Exchange transactions between funds are reported as revenues in the seller funds and as expenditures in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures to the funds that initially paid for them are not presented on the financial statements.

Fund Balance Reserves and Designations - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Compensated Absences - The Township does not have a personnel policy for unpaid vacation and sick pay; therefore, the Township does not accrue a liability for vacation and sick pay.

- D. Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported on the financial statements and accompanying notes. Actual results may differ from those estimates.

ASH TOWNSHIP

Notes to Financial Statements Year Ended March 31, 2007

Note 2 Summary of Significant Accounting Policies (Concluded)

Basis of Presentation (Concluded)

- E. Extraordinary and Special Items - Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Township and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2007.
- F. Budgetary Policies - The budgetary process is prescribed by provisions of the State of Michigan Budget Act and entails the preparation of budgetary documents within an established timetable. The General Fund and all Special Revenue Funds are legally required to be budgeted and appropriated. The legal level of budgetary control has been established by the Township Board at the function level. Any budgetary modifications may only be made by the Township's Board.

The Township follows these procedures in establishing the budgets for the individual funds as reflected in the financial statements.

1. Prior to March 31, the fiscal officer submits to Township Board a proposed operating budget for the fiscal year commencing on April 1.
2. A public hearing is conducted during June to obtain taxpayer comments.
3. Prior to March 31, the budget is legally enacted through passage of a resolution.
4. During the year the budget is monitored, and amendments to the budget deemed necessary are approved by the Township Board.
5. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
6. Lapsing of Appropriations - At the close of each year all unspent appropriations revert to the respective funds from which they were appropriated and become subject to future appropriations.

Note 3 Stewardship, Accountability and Compliance

The Township shall not incur expenditures in excess of the amount appropriated. Annual budgets are adopted on a basis that is consistent with generally accepted accounting principles and State Law for the General and Special Revenue Funds. Even though not required by State Law, the Township adopts a budget for the Debt Retirement Fund.

In the required supplemental information, the Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis, which is the adopted legal level of control.

ASH TOWNSHIP

Notes to Financial Statements Year Ended March 31, 2007

Note 4

Deposits

Statutes authorize the Township to invest in obligations of the U.S. Treasury, agencies and instrumentalities; commercial paper within the three highest rate classifications by at least two rating services; bankers' acceptances of U.S. banks, U.S. or agency repurchase agreements; savings accounts and certificates of deposit with banks and savings and loan associations, or credit unions which are insured with the applicable federal agency. Public funds of the Township may not be deposited in financial institutions located in states other than Michigan.

Public Act 367 of 1982 (known as the Surplus Funds Investment Pool Act) enables municipalities to invest surplus operating funds in investment pools managed by qualified financial institutions. At March 31, 2007, Ash Township had invested in such a fund with a local bank. The Township is able to retrieve these funds without restriction and, accordingly, this amount is considered to be available cash. The local bank invests these funds in a variety of instruments including bonds and direct obligations of the United States, certificates of deposit, commercial paper rated within the three highest classifications by not less than two standard rating services, United States government or federal agency obligation repurchase agreements and bankers acceptances of the United States banks.

The Township believes that, due to the dollar amounts of cash deposits and the limits of FDIC insurance, and since State of Michigan legislation does not require that all deposits be collateralized, it is impractical to insure all bank deposits. As a result, the Township evaluates each financial institution with which it deposits Township funds and assesses the level of risk at each institution; only those institutions with an acceptable estimated risk level are used as depositories.

The Board has adopted an investment policy authorizing certain types of investments and authorized three depositories: Monroe Bank and Trust, Comerica Bank, and LaSalle Bank.

Interest rate risk. The Township's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk. The Township will minimize credit risk, which is the risk of loss due to the failure of the security issuer or backer, by limiting investments to the types of securities listed in the Township's investment policy.

Concentration of credit risk. The Township does not place any limits on the amount the Township may deposit or invest in any one issuer.

Custodial credit risk. Custodial credit risk for deposits is the risk that in the event of a bank failure, the Township's deposits may not be returned or the Township will not be able to recover the collateral securities in the possession of an outside party. The Township has \$9,826,750 invested in certificates of deposit, checking accounts, and money markets. The Township's deposits are insured by the FDIC in the amount of \$300,000, with uninsured deposits of \$9,526,750. The Township's deposits are at institutions with an established record of fiscal health and service. The Township Board approves and designates a list of authorized depository institutions. The Township's investment policy does not address deposit risk.

Foreign currency risk. The Township is not authorized to invest in investments which have this type of risk.

ASH TOWNSHIP

*Notes to Financial Statements
Year Ended March 31, 2007*

Note 5

Interfund Payables and Receivables

Interfund balances at March 31, 2007, consisted of the following individual fund receivables and payables:

| | <u>Interfund Receivable</u> | <u>Interfund Payable</u> |
|---------------------------|---------------------------------|------------------------------|
| General Fund: | | |
| Special Revenue Fund: | | |
| Building Department Fund | | \$ 4,354 |
| Enterprise Fund: | | |
| Water and Sewer Fund | \$ 9,402 | |
| Special Revenue Funds: | | |
| Building Department Fund: | | |
| General Fund | 4,354 | |
| Enterprise Fund: | | |
| Water and Sewer Fund | | 3,375 |
| Enterprise Fund: | | |
| Water and Sewer Fund: | | |
| General Fund | | 9,402 |
| Building Department Fund | <u>3,375</u> | |
| | <u>\$17,131</u> | <u>\$17,131</u> |

Note 6

Capital Assets

A summary of changes in capital assets follows:

| | <u>Balance April 1, 2006</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance March 31, 2007</u> |
|------------------------------------|----------------------------------|-------------------|------------------|-----------------------------------|
| Governmental Activities: | | | | |
| Assets not being depreciated: | | | | |
| Land | \$70,000 | \$0 | \$0 | \$70,000 |
| Construction in progress | 0 | 22,119 | 0 | 22,119 |
| Capital assets being depreciated: | | | | |
| Building and building improvements | 1,292,915 | 0 | 0 | 1,292,915 |
| Fire trucks | 786,782 | 0 | 0 | 786,782 |
| Fire equipment | 408,266 | 55,247 | 0 | 463,513 |
| Other equipment | 87,078 | 4,430 | 0 | 91,508 |
| | <u>2,575,041</u> | <u>59,677</u> | <u>0</u> | <u>2,634,718</u> |
| Total capital assets | 2,645,041 | 81,796 | 0 | 2,726,837 |
| Less accumulated depreciation for: | | | | |
| Building and building improvements | (358,143) | (28,006) | 0 | (386,149) |
| Fire trucks | (643,482) | (35,825) | 0 | (679,307) |
| Fire equipment | (203,917) | (54,054) | 0 | (257,971) |
| Other equipment | (67,805) | (7,722) | 0 | (75,527) |
| | <u>(1,273,347)</u> | <u>(125,607)</u> | <u>0</u> | <u>(1,398,954)</u> |
| Total accumulated depreciation | (1,273,347) | (125,607) | 0 | (1,398,954) |
| Net capital assets | <u>\$1,371,694</u> | <u>(\$43,811)</u> | <u>\$0</u> | <u>\$1,327,883</u> |

ASH TOWNSHIP

Notes to Financial Statements *Year Ended March 31, 2007*

Note 6 Capital Assets (Concluded)

Depreciation expense was charged to governmental functions as follows:

| | |
|-------------------------------|------------------|
| General government | \$ 17,386 |
| Public safety | 94,535 |
| Recreation and cultural | <u>13,686</u> |
| Total governmental activities | <u>\$125,607</u> |

| | <u>Balance</u> <u>April 1, 2006</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance</u> <u>March 31, 2007</u> |
|------------------------------------|--|--------------------|------------------|---|
| Business-type Activities: | | | | |
| Assets not being depreciated: | | | | |
| Construction in progress | \$163,598 | \$3,649,908 | \$0 | \$3,813,506 |
| Capital assets being depreciated: | | | | |
| Water mains and hydrants | 11,022,106 | 0 | 0 | 11,022,106 |
| Water service connections | 728,387 | 0 | 0 | 728,387 |
| Water meters | 66,588 | 0 | 0 | 66,588 |
| Sewer gathering lines | 1,112,104 | 0 | 0 | 1,112,104 |
| Sewer service connections | 15,887 | 0 | 0 | 15,887 |
| Building | 139,145 | 0 | 0 | 139,145 |
| Equipment | <u>92,005</u> | <u>4,435</u> | <u>0</u> | <u>96,440</u> |
| Total capital assets | 13,339,820 | 3,654,343 | 0 | 16,994,163 |
| Less accumulated depreciation for: | | | | |
| Water mains and hydrants | (2,366,372) | (221,474) | 0 | (2,587,846) |
| Water service connections | (171,380) | (14,568) | 0 | (185,948) |
| Water meters | (60,755) | (765) | 0 | (61,520) |
| Sewer gathering lines | (531,150) | (22,242) | 0 | (553,392) |
| Sewer service connections | (7,996) | (336) | 0 | (8,332) |
| Building | (5,798) | (3,479) | 0 | (9,277) |
| Equipment | <u>(77,323)</u> | <u>(4,736)</u> | <u>0</u> | <u>(82,059)</u> |
| Total accumulated depreciation | <u>(3,220,774)</u> | <u>(267,600)</u> | <u>0</u> | <u>(3,488,374)</u> |
| Net capital assets | <u>\$10,119,046</u> | <u>\$3,386,743</u> | <u>\$0</u> | <u>\$13,505,789</u> |

Note 7 Interfund Transfers

Interfund transfers for the year ended March 31, 2007, consisted of the following:

| | |
|--------------------------|----------------------|
| | <u>Transfers Out</u> |
| | General |
| | <u>Fund</u> |
| <u>Transfers In</u> | |
| Special Revenue Fund: | |
| Building Department Fund | <u>\$22,553</u> |

The transfer from the General Fund to the Building Department Fund was to eliminate the fund deficit.

ASH TOWNSHIP

Notes to Financial Statements Year Ended March 31, 2007

Note 8

Long-Term Debt

Library General Obligation Bonds (unlimited tax) were issued by Ash Township to pay the cost of erecting, furnishing, and equipping a new public library building. These bonds are payable out of property taxes levied for Library Debt Service. The Library Debt Service Fund reflects the payment of this liability.

Act 143 Notes, Series 2002 Michigan Transportation Fund Bonds were issued by the Monroe County Road Commission to pay for the purpose of defraying part of the cost of construction, improvement, maintenance and repair of certain highways in the County. The original issue of \$3,500,000 with the Township's share equaling \$300,000. Ash Township is financing their portion of these costs through the General Fund. The General Fund reflects the payment of this liability.

1996 Special Assessment Bonds (limited tax obligation) were issued by Ash Township to pay for the construction of water supply improvements in special assessment districts number six and seven. These bonds are being financed through a special assessment levied against homeowners benefitting from the construction. The Water and Sewer Fund reflects the payment of this liability.

1997 Special Assessment Bonds (limited tax obligation) were issued by Ash Township to pay for the construction of water supply improvements in special assessment districts number eight and nine. These bonds are being financed through a special assessment levied against homeowners benefitting from the construction. The Water and Sewer Fund reflects the payment of this liability.

1998A Special Assessment Bonds (limited tax obligation) were issued by Ash Township to pay for the construction of water supply improvements in special assessment districts number ten and eleven. These bonds are being financed through a special assessment levied against homeowners benefitting from the construction. The Water and Sewer Fund reflects the payment of this liability.

1998B Special Assessment Bonds (limited tax obligation) were issued by Ash Township to pay for the construction of water supply improvements in special assessment district number twelve. These bonds are being financed through a special assessment levied against homeowners benefitting from the construction. The Water and Sewer Fund reflects the payment of this liability.

2003 Special Assessment Bonds (limited tax obligation) were issued by Ash Township to pay for the construction of water supply improvements in special assessment district number fourteen. These bonds are being financed through a special assessment levied against homeowners benefitting from the construction. The Water and Sewer Fund reflects the payment of this liability.

2006 Special Assessment Bonds (limited tax obligation) were issued by Ash Township to pay for the construction of water supply improvements in special assessment district number sixteen, seventeen, eighteen, and nineteen. These bonds are being financed through a special assessment levied against homeowners benefitting from the construction. The Water and Sewer Fund reflects the payment of the liability.

ASH TOWNSHIP

Notes to Financial Statements Year Ended March 31, 2007

Note 8

Long-Term Debt (Continued)

The following is a summary of changes in long-term debt as of March 31, 2007:

| | Balance <u>April 1, 2006</u> | <u>Additions</u> | <u>Retired</u> | Balance <u>March 31, 2007</u> | Due Within <u>One Year</u> |
|--|---------------------------------|------------------|----------------|----------------------------------|-------------------------------|
| Governmental activities: | | | | | |
| Library General Obligation Bonds (unlimited tax): \$690,000 issue dated February 1, 1993, maturing in annual amounts from \$15,000 to \$60,000 and bearing interest at rates from 3.75% to 6.20%. | \$ 350,000 | \$ - | \$ 40,000 | \$ 310,000 | \$ 45,000 |
| Act 143 Notes, Series 2002 Michigan Transportation Fund Bonds: \$3,500,000 issue dated August 1, 2002. Ash Township's portion is 8.57% or \$300,000 maturing in annual amounts of \$30,000 annually and bearing interest rates from 2.750% to 4.000% | <u>210,000</u> | <u>-</u> | <u>30,000</u> | <u>180,000</u> | <u>30,000</u> |
| Total governmental activities | <u>560,000</u> | <u>-</u> | <u>70,000</u> | <u>490,000</u> | <u>75,000</u> |
| Business-type activities: | | | | | |
| 1996 Special Assessment Bonds (limited tax): \$560,000 issue dated June 1, 1996, maturing \$40,000 annually and bearing interest rates from 5.10% to 5.80%. | 240,000 | - | 40,000 | 200,000 | 40,000 |
| 1997 Special Assessment Bonds (limited tax): \$295,000 issue dated June 1, 1997, maturing in annual amounts from \$25,000 for the first three years and \$20,000 annually thereafter and bearing an interest rate of 5.25% | 140,000 | - | 20,000 | 120,000 | 20,000 |

ASH TOWNSHIP

Notes to Financial Statements Year Ended March 31, 2007

Note 8 Long-Term Debt (Continued)

| | Balance <u>April 1, 2006</u> | <u>Additions</u> | <u>Retired</u> | Balance <u>March 31, 2007</u> | Due Within <u>One Year</u> |
|--|---------------------------------|--------------------|------------------|----------------------------------|-------------------------------|
| Business-type activities: | | | | | |
| 1998A Special Assessment Bonds (limited tax): \$785,000 issue dated September 1, 1998, maturing in annual amounts of \$15,000 for the first year and \$55,000 annually thereafter and bearing an interest rate of 4.00% | \$ 440,000 | \$ - | \$ 55,000 | \$ 385,000 | \$ 55,000 |
| 1998B Special Assessment Bonds (limited tax): \$750,000 issue dated November 1, 1998, maturing in annual amounts of \$15,000 for the first year and \$50,000 to \$55,000 thereafter and bearing an interest rate of 4.20%. | 420,000 | - | 50,000 | 370,000 | 50,000 |
| 2003 Special Assessment Bonds (limited tax): \$3,000,000 issue dated January 1, 2003, maturing in annual amounts from \$155,000 to \$285,000 and bearing interest rates from 2.250% to 4.125%. | 2,680,000 | - | 175,000 | 2,505,000 | 180,000 |
| 2006 Special Assessment Bonds (limited tax): \$2,600,000 issue dated November 1, 2006, maturing in annual amounts from \$135,000 to \$140,000 and bearing interest rates from 3.550% to 4.000%. | - | 2,600,000 | - | 2,600,000 | - |
| Total business-type activities | <u>3,920,000</u> | <u>2,600,000</u> | <u>340,000</u> | <u>6,180,000</u> | <u>345,000</u> |
| Total long-term debt | <u>\$4,480,000</u> | <u>\$2,600,000</u> | <u>\$410,000</u> | <u>\$6,670,000</u> | <u>\$420,000</u> |

ASH TOWNSHIP

Notes to Financial Statements Year Ended March 31, 2007

Note 8 Long-Term Debt (Continued) Library General Obligation Bonds (Unlimited Tax)

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Totals</u> |
|--------------------|------------------|-----------------|------------------|
| 2008 | \$ 45,000 | \$17,585 | \$ 62,585 |
| 2009 | 45,000 | 14,885 | 59,885 |
| 2010 | 50,000 | 12,010 | 62,010 |
| 2011 | 55,000 | 8,808 | 63,808 |
| 2012 | 55,000 | 5,425 | 60,425 |
| 2013 | <u>60,000</u> | <u>1,860</u> | <u>61,860</u> |
| | <u>\$310,000</u> | <u>\$60,573</u> | <u>\$370,573</u> |

Act 143 Notes, Series 2002 Michigan Transportation Fund Bonds

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Totals</u> |
|--------------------|------------------|-----------------|------------------|
| 2008 | \$ 30,000 | \$ 6,356 | \$ 36,356 |
| 2009 | 30,000 | 5,306 | 35,306 |
| 2010 | 30,000 | 4,181 | 34,181 |
| 2011 | 30,000 | 3,000 | 33,000 |
| 2012 | 30,000 | 1,800 | 31,800 |
| 2013 | <u>30,000</u> | <u>600</u> | <u>30,600</u> |
| | <u>\$180,000</u> | <u>\$21,243</u> | <u>\$201,243</u> |

1996 Special Assessment Bonds (Limited Tax)

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Totals</u> |
|--------------------|------------------|-----------------|------------------|
| 2008 | \$ 40,000 | \$10,440 | \$ 50,440 |
| 2009 | 40,000 | 8,120 | 48,120 |
| 2010 | 40,000 | 5,800 | 45,800 |
| 2011 | 40,000 | 3,480 | 43,480 |
| 2012 | <u>40,000</u> | <u>1,160</u> | <u>41,160</u> |
| | <u>\$200,000</u> | <u>\$29,000</u> | <u>\$229,000</u> |

1997 Special Assessment Bonds (Limited Tax)

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Totals</u> |
|--------------------|------------------|-----------------|------------------|
| 2008 | \$ 20,000 | \$ 5,775 | \$ 25,775 |
| 2009 | 20,000 | 4,725 | 24,725 |
| 2010 | 20,000 | 3,675 | 23,675 |
| 2011 | 20,000 | 2,625 | 22,625 |
| 2012 | 20,000 | 1,575 | 21,575 |
| 2013 | <u>20,000</u> | <u>525</u> | <u>20,525</u> |
| | <u>\$120,000</u> | <u>\$18,900</u> | <u>\$138,900</u> |

ASH TOWNSHIP

Notes to Financial Statements Year Ended March 31, 2007

Note 8 Long-Term Debt (Continued) 1998A Special Assessment Bonds (Limited Tax)

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Totals</u> |
|--------------------|------------------|-----------------|------------------|
| 2008 | \$ 55,000 | \$14,300 | \$ 69,300 |
| 2009 | 55,000 | 12,100 | 67,100 |
| 2010 | 55,000 | 9,900 | 64,900 |
| 2011 | 55,000 | 7,700 | 62,700 |
| 2012 | 55,000 | 5,500 | 60,500 |
| 2013 | 55,000 | 3,300 | 58,300 |
| 2014 | <u>55,000</u> | <u>1,100</u> | <u>56,100</u> |
| | <u>\$385,000</u> | <u>\$53,900</u> | <u>\$438,900</u> |

1998B Special Assessment Bonds (Limited Tax)

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Totals</u> |
|--------------------|------------------|-----------------|------------------|
| 2008 | \$ 50,000 | \$14,490 | \$ 64,490 |
| 2009 | 50,000 | 12,285 | 67,285 |
| 2010 | 55,000 | 9,975 | 64,975 |
| 2011 | 55,000 | 7,665 | 62,665 |
| 2012 | 55,000 | 5,355 | 60,355 |
| 2013 | 55,000 | 3,150 | 53,150 |
| 2014 | <u>50,000</u> | <u>1,050</u> | <u>51,050</u> |
| | <u>\$370,000</u> | <u>\$53,970</u> | <u>\$423,970</u> |

2003 Special Assessment Bonds (Limited Tax)

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Totals</u> |
|--------------------|--------------------|------------------|--------------------|
| 2008 | \$ 180,000 | \$ 88,979 | \$ 268,979 |
| 2009 | 190,000 | 83,879 | 273,879 |
| 2010 | 195,000 | 77,860 | 272,860 |
| 2011 | 205,000 | 71,104 | 276,104 |
| 2012 | 215,000 | 63,754 | 278,754 |
| 2013 | 225,000 | 55,885 | 280,885 |
| 2014 | 235,000 | 47,313 | 282,313 |
| 2015 | 245,000 | 38,071 | 283,071 |
| 2016 | 260,000 | 28,093 | 288,093 |
| 2017 | 270,000 | 17,325 | 287,325 |
| 2018 | <u>285,000</u> | <u>5,878</u> | <u>290,878</u> |
| | <u>\$2,505,000</u> | <u>\$578,141</u> | <u>\$3,083,141</u> |

ASH TOWNSHIP

Notes to Financial Statements Year Ended March 31, 2007

Note 8 Long-Term Debt (Continued) 2006 Special Assessment Bonds (Limited Tax)

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Totals</u> |
|--------------------|--------------------|--------------------|--------------------|
| 2008 | \$ - | \$ 98,558 | \$ 98,558 |
| 2009 | 140,000 | 96,073 | 236,073 |
| 2010 | 135,000 | 91,191 | 226,191 |
| 2011 | 135,000 | 86,365 | 221,365 |
| 2012 | 140,000 | 81,398 | 221,398 |
| 2013 | 135,000 | 76,396 | 211,396 |
| 2014 | 135,000 | 71,469 | 206,469 |
| 2015 | 140,000 | 66,415 | 206,415 |
| 2016 | 135,000 | 61,294 | 196,294 |
| 2017 | 135,000 | 56,231 | 191,231 |
| 2018 | 140,000 | 51,005 | 191,005 |
| 2019 | 135,000 | 45,711 | 180,711 |
| 2020 | 135,000 | 40,514 | 175,514 |
| 2021 | 140,000 | 35,219 | 175,219 |
| 2022 | 135,000 | 29,892 | 164,892 |
| 2023 | 140,000 | 24,530 | 164,530 |
| 2024 | 135,000 | 19,100 | 154,100 |
| 2025 | 140,000 | 13,600 | 153,600 |
| 2026 | 135,000 | 8,100 | 143,100 |
| 2027 | <u>135,000</u> | <u>2,700</u> | <u>137,700</u> |
| | <u>\$2,600,000</u> | <u>\$1,055,761</u> | <u>\$3,655,761</u> |

The annual requirements to pay principal and interest on the long-term debt outstanding at March 31, 2007 are as follows:

| | <u>Governmental Activities</u> | | |
|---------------------|--------------------------------|-----------------|------------------|
| <u>Fiscal Years</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
| 2007 - 2008 | \$ 75,000 | \$23,941 | \$ 98,941 |
| 2008 - 2009 | 75,000 | 20,191 | 95,191 |
| 2009 - 2010 | 80,000 | 16,191 | 96,191 |
| 2010 - 2011 | 85,000 | 11,808 | 96,808 |
| 2011 - 2012 | 85,000 | 7,225 | 92,225 |
| 2012 - 2013 | <u>90,000</u> | <u>2,460</u> | <u>92,460</u> |
| | <u>\$490,000</u> | <u>\$81,816</u> | <u>\$571,816</u> |

ASH TOWNSHIP

Notes to Financial Statements Year Ended March 31, 2007

Note 8 Long-Term Debt (Concluded)

| <u>Fiscal Years</u> | <u>Business-type Activities</u> | | |
|---------------------|---------------------------------|--------------------|--------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
| 2007 - 2008 | \$ 345,000 | \$ 232,542 | \$ 577,542 |
| 2008 - 2009 | 495,000 | 217,182 | 712,182 |
| 2009 - 2010 | 500,000 | 198,401 | 698,401 |
| 2010 - 2011 | 510,000 | 178,939 | 688,939 |
| 2011 - 2012 | 525,000 | 158,742 | 683,742 |
| 2012 - 2017 | 2,150,000 | 527,617 | 2,677,617 |
| 2017 - 2022 | 970,000 | 208,219 | 1,178,219 |
| 2022 - 2027 | <u>685,000</u> | <u>68,030</u> | <u>753,030</u> |
| | <u>\$6,180,000</u> | <u>\$1,789,672</u> | <u>\$7,969,672</u> |

Note 9 Property Taxes

The Township bills and collects its own property taxes and also taxes for the State of Michigan, County of Monroe, Airport Community School District, Huron Schools, Flat Rock Schools, Monroe County Community College, Monroe County Intermediate School District, and Wayne County Intermediate School District. Collections are accounted for in the Tax Collection Agency Fund. For the year ended March 31, 2007, the Township levied, on December 1, 2006, the following mills due and payable on February 14, 2007:

| | |
|----------------------|---------------|
| General Operating | 0.8046 |
| Fire Equipment | 0.5000 |
| Library Debt Service | <u>0.2750</u> |
| | <u>1.5796</u> |

Taxable values, which amounted to \$287,600,695 represent a percent of the fair market value of the assessed properties on December 31, 2005. The Township also collected taxes on properties covered under industrial facilities exemptions which had a total taxable value of \$15,201,217.

For the year ended March 31, 2007, the Township also billed and retained \$84,766 as administrative fees for the above tax collection.

Note 10 Charges for Services

Charges for users of the Water and Sewer Enterprise Fund consist of the following:

Water and Sewer Enterprise Fund:

Maintenance Fee - A maintenance fee of \$6.00 per quarter is charged to each user (both Ash Township and Village of Carleton residents). This maintenance fee which replaced a prior debt service charge became effective November 1, 1997.

ASH TOWNSHIP

Notes to Financial Statements Year Ended March 31, 2007

Note 10 Charges for Services (Concluded)

Metered Water Sales - A water charge is billed at rates established by the Township based on water consumption. Effective September 1, 2003 to July 1, 2006, water rates were \$3.25 per 1,000 gallons with a minimum bill of \$32.50 (10,000 gallons per quarter). Effective July 1, 2006, water rates were \$3.50 per 1,000 gallons with a minimum bill of \$35.00 (10,000 gallons per quarter).

Water Development Fee - A development fee or tap in fee will be charged to each premise requesting to tap into the water system. The fee is \$1,000 per residential equivalent user factor.

Sewer Service Charges - A sewer charge for Village customers is billed at rates established by the Village of Carleton based on water consumption. For the year ended March 31, 2007, sewer rates were \$7.00 per 1,000 gallons. The sewer charge for Township customers is billed at rates established by Ash Township based on water consumption. Current sewer rates are \$7.65 per 1,000 gallons.

Sewer Connection Charge - Village of Carleton customers will be charged a sewer connection fee of \$2,500, plus a debt service charge as determined by the Village of Carleton, to each premise for a 6" connection to the sewer system. Where larger connections are desired, the connection charge shall be \$2,500 plus 125% of the additional cost and a debt service charge as determined by the Village of Carleton. For Township customers, a sewer connection charge of \$6,000 will be charged to each premise for a 6" connection to the sewer system. Larger connections will be charged \$6,000 plus 125% of the additional cost. For subdivisions the connection charge will be \$5,000 and a \$50 fee for each home connected.

Note 11 Collection Fees - Water and Sewer Fund

Billing and collection of sewerage service and the posting of customer accounts are performed by Ash Township for Village of Carleton sewage customers on a contractual basis. The Township charges 5% of the total collections as a fee for this service which amounted to \$18,016 for the 2006-2007 fiscal year.

Note 12 Employee's Pension Plan Plan Description

Ash Township is in an agent multiple-employer defined benefit pension plan with the Municipal Employees Retirement System of Michigan (MERS), administered by the State of Michigan.

Benefit provisions and all other requirements are established by state statute and Township ordinance. All full-time Township employees are eligible to participate in MERS. Benefits vest after 10 years of service. Township employees who retire after age 60 with 10 years, age 55 with 15 years, and age 50 with 25 years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 2.5% of a members 5-year final average compensation. The system also provides disability retirement allowance, non duty death, and duty connected death allowance and post retirement adjustments.

The Municipal Employees Retirement System of Michigan issues a publically available financial report which may be obtained by writing to MERS, 1134 Municipal Way, Lansing, Michigan, 48917.

ASH TOWNSHIP

Notes to Financial Statements Year Ended March 31, 2007

Note 12 Employee's Pension Plan (Concluded)

Funding Policy

General employees contribute 5.0% of their wages to the plan which amounted to \$4,204 for the fiscal year ending March 31, 2007. The Township is required to contribute the remaining amounts necessary to fund the system, using the actuarial basis specified by State statute. The Township's annual required contribution was \$18,571 (\$15,057 required contribution plus an additional catch-up payment of \$3,514 for benefit change in the plan) for the fiscal year ending March 31, 2007 (20.72% of covered payroll). The contribution requirements of plan members and the Township are established by the Township and by the MERS Board of Trustees.

Annual Pension Cost

For the fiscal year ending March 31, 2007, the Township's annual pension cost of \$18,571 for the plan was equal to the Township's required and actual contributions. The required contribution was determined as part of the December 31, 2004 actuarial valuation using the entry age normal cost method. Significant actuarial assumptions include (a) 8.0% investment rate of return, (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation, (c) additional projected salary increases of 0.0% to 8.40%, depending on age, attributable to seniority/merit and, (d) assumptions that benefits will increase after retirement.

The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five year period. The Township's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll over 30 years.

Three-year Trend Information

| <u>Fiscal Year</u> <u>Ending</u> | <u>Annual</u> <u>Pension Cost</u> | <u>Percentage of</u> <u>Annual Pension</u> <u>Cost Contributed</u> | <u>Net Pension</u> <u>Obligation</u> |
|-------------------------------------|--------------------------------------|--|---|
| 03/31/05 | \$ 4,881 | 100% | \$ - |
| 03/31/06 | 5,510 | 100% | - |
| 03/31/07 | 18,571 | 100% | - |

| | <u>Valuation Ended December 31,</u> | | |
|--|-------------------------------------|-------------|-------------|
| | <u>2003</u> | <u>2004</u> | <u>2005</u> |
| Actuarial value of assets | \$198,843 | \$198,854 | \$191,313 |
| Actuarial accrued liability (entry age) | 270,912 | 349,018 | 359,912 |
| Unfunded AAL | 72,069 | 150,164 | 168,599 |
| Funded ratio | 73% | 57% | 53.2% |
| Annual payroll | 108,983 | 80,369 | 79,109 |
| UAAL as a percentage of annual covered payroll | 66% | 187% | 213% |

Note 13 Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions and employee injuries (workman's compensation). The Township has purchased commercial insurance for property loss, torts, errors, omissions and employee injuries.

ASH TOWNSHIP

General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended March 31, 2007

| | Budgeted Amounts | | | Positive (Negative) Budget |
|-------------------------------|------------------|-----------|-----------|----------------------------------|
| | Original | Final | Actual | |
| Revenues | | | | |
| Taxes: | | | | |
| Property taxes | \$220,000 | \$220,000 | \$237,656 | \$17,656 |
| Trailer park taxes | 3,000 | 3,000 | 2,742 | (258) |
| Administrative fee | 65,000 | 65,000 | 84,766 | 19,766 |
| Penalties and interest on tax | 8,000 | 8,000 | 27,432 | 19,432 |
| | 296,000 | 296,000 | 352,596 | 56,596 |
| Licenses and permits: | | | | |
| Business licenses and permits | 15,200 | 15,200 | 19,782 | 4,582 |
| State grants: | | | | |
| State shared revenue | 320,000 | 320,000 | 346,019 | 26,019 |
| Charges for services: | | | | |
| Land splits | 3,500 | 3,500 | 1,100 | (2,400) |
| Interest | 35,000 | 35,000 | 108,834 | 73,834 |
| Other revenue: | | | | |
| Streetlight assessments | 3,600 | 3,600 | 3,269 | (331) |
| Cemetery plots | 400 | 400 | 0 | (400) |
| Other revenue | 25,500 | 59,890 | 83,549 | 23,659 |
| | 29,500 | 63,890 | 86,818 | 22,928 |
| Total Revenues | 699,200 | 733,590 | 915,149 | 181,559 |
| Expenditures | | | | |
| Legislative: | | | | |
| Township board | 21,000 | 21,000 | 20,914 | 86 |
| General government: | | | | |
| Supervisor | 17,500 | 17,500 | 17,099 | 401 |
| Elections | 15,500 | 24,500 | 8,162 | 16,338 |
| Audit | 8,000 | 8,000 | 6,534 | 1,466 |
| Assessor | 57,500 | 57,500 | 56,543 | 957 |
| Legal fees | 25,000 | 25,000 | 22,444 | 2,556 |
| Clerk | 40,600 | 40,600 | 32,912 | 7,688 |
| Treasurer | 36,060 | 36,060 | 29,560 | 6,500 |
| Township hall and grounds | 33,800 | 45,800 | 38,589 | 7,211 |
| General administration | 15,000 | 15,000 | 11,535 | 3,465 |
| | 248,960 | 269,960 | 223,378 | 46,582 |

ASH TOWNSHIP

General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended March 31, 2007

| | Budgeted Amounts | | | Positive (Negative) Budget |
|--|------------------|-----------|-------------|----------------------------------|
| | Original | Final | Actual | |
| Expenditures (Concluded) | | | | |
| Public safety: | | | | |
| Fire department | \$119,400 | \$94,400 | \$94,467 | (\$67) |
| Building inspection | 0 | 0 | 926 | (926) |
| | 119,400 | 94,400 | 95,393 | (993) |
| Public works: | | | | |
| Street lights | 12,000 | 12,300 | 12,161 | 139 |
| Roads and drains | 300,000 | 300,000 | 217,373 | 82,627 |
| | 312,000 | 312,300 | 229,534 | 82,766 |
| Recreation and cultural: | | | | |
| Senior citizens | 3,500 | 3,500 | 3,500 | 0 |
| Historical society | 2,500 | 2,500 | 822 | 1,678 |
| Engineering study | 2,000 | 2,000 | 5,000 | (3,000) |
| Park commission | 15,000 | 15,000 | 15,000 | 0 |
| Library | 31,500 | 31,500 | 31,070 | 430 |
| Playscape | 17,500 | 37,500 | 0 | 37,500 |
| Baseball field | 50,000 | 38,000 | 0 | 38,000 |
| | 122,000 | 130,000 | 55,392 | 74,608 |
| Other: | | | | |
| Insurance | 47,000 | 53,000 | 51,327 | 1,673 |
| Social security | 8,000 | 8,000 | 6,805 | 1,195 |
| Other | 28,500 | 109,890 | 82,487 | 27,403 |
| Contingency | 25,000 | 12,700 | 0 | 12,700 |
| | 108,500 | 183,590 | 140,619 | 42,971 |
| Total Expenditures | 931,860 | 1,011,250 | 765,230 | 246,020 |
| Excess (Deficiency) of Revenues Over Expenditures | (232,660) | (277,660) | 149,919 | (64,461) |
| Other Financing Sources (Uses) | | | | |
| Operating transfer out | 0 | 0 | (22,553) | (22,553) |
| Net Change in Fund Balance | (232,660) | (277,660) | 127,366 | (87,014) |
| Fund Balance - Beginning of year | 257,660 | 277,660 | 2,537,961 | 2,260,301 |
| Fund Balance - End of year | \$25,000 | \$0 | \$2,665,327 | \$2,173,287 |

ASH TOWNSHIP

*Building Department Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended March 31, 2007*

| | Budgeted Amounts | | | Variance with Final Budget Positive (Negative) |
|--|------------------|-----------|-----------|---|
| | Original | Final | Actual | |
| Revenues | | | | |
| Licenses and permits: | | | | |
| Non-business licenses and permits | \$146,900 | \$146,900 | \$108,240 | (\$38,660) |
| Charges for services: | | | | |
| Site plan/land use fees | 25,000 | 25,000 | 22,245 | (2,755) |
| Rezoning fees | 4,000 | 4,000 | 3,815 | (185) |
| Zoning board fees | 4,000 | 4,000 | 5,390 | 1,390 |
| | 33,000 | 33,000 | 31,450 | (1,550) |
| Interest | 1,000 | 1,000 | 976 | (24) |
| Other revenue | 2,000 | 2,000 | 368 | (1,632) |
| Total Revenues | 182,900 | 182,900 | 141,034 | (41,866) |
| Expenditures | | | | |
| Public safety: | | | | |
| Inspections | 182,900 | 182,900 | 178,459 | 4,441 |
| Excess (Deficiency) of Revenues Over Expenditures | 0 | 0 | (37,425) | (37,425) |
| Other Financing Sources (Uses) | | | | |
| Operating transfer in | 0 | 0 | 22,553 | 22,553 |
| Net Change in Fund Balance | 0 | 0 | (14,872) | (14,872) |
| Fund Balance - Beginning of year | 0 | 0 | 14,872 | 14,872 |
| Fund Balance - End of year | \$0 | \$0 | \$0 | \$0 |

ASH TOWNSHIP

Nonmajor Governmental Funds Combining Balance Sheet March 31, 2007

| | Special Revenue Funds | | Debt Service Fund | |
|--|-------------------------|-------------------|----------------------------|---|
| | Budget Stabilization | Fire Equipment | Library Debt Service | Total Nonmajor Governmental Funds |
| Assets | | | | |
| Cash and cash equivalents | \$0 | \$534,057 | \$99,882 | \$633,939 |
| Certificate of deposit | 45,000 | 209,106 | 0 | 254,106 |
| Receivables: | | | | |
| Property taxes | 0 | 11,576 | 6,365 | 17,941 |
| Total Assets | <u>\$45,000</u> | <u>\$754,739</u> | <u>\$106,247</u> | <u>\$905,986</u> |
| Total Liabilities and Fund Balances | | | | |
| Liabilities | | | | |
| Total Liabilities | \$0 | \$0 | \$0 | \$0 |
| Fund Balances | | | | |
| Reserved for debt service | 0 | 0 | 106,247 | 106,247 |
| Unreserved - undesignated | 45,000 | 754,739 | 0 | 799,739 |
| Total Fund Balances | <u>45,000</u> | <u>754,739</u> | <u>106,247</u> | <u>905,986</u> |
| Total Liabilities and Fund Balances | <u>\$45,000</u> | <u>\$754,739</u> | <u>\$106,247</u> | <u>\$905,986</u> |

ASH TOWNSHIP

Nonmajor Governmental Funds Combining Statement of Revenues, Expenditures, and Changes in Fund Balances Year Ended March 31, 2007

| | Special Revenue Funds | | Debt Service Fund | Total Nonmajor Governmental Funds |
|------------------------------------|-------------------------|-------------------|----------------------------|---|
| | Budget Stabilization | Fire Equipment | Library Debt Service | |
| Revenues | | | | |
| Property taxes | \$0 | \$148,460 | \$81,475 | \$229,935 |
| Interest and penalties | 0 | 28,388 | 1,561 | 29,949 |
| Total Revenues | 0 | 176,848 | 83,036 | 259,884 |
| Expenditures | | | | |
| Public Safety | 0 | 56,464 | 0 | 56,464 |
| Debt service | 0 | 0 | 60,515 | 60,515 |
| Total Expenditures | 0 | 56,464 | 60,515 | 116,979 |
| Net Change in Fund Balances | 0 | 120,384 | 22,521 | 142,905 |
| Fund Balances - Beginning of year | 45,000 | 634,355 | 83,726 | 763,081 |
| Fund Balances - End of year | <u>\$45,000</u> | <u>\$754,739</u> | <u>\$106,247</u> | <u>\$905,986</u> |

ASH TOWNSHIP

Budget Stabilization Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended March 31, 2007

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | Variance with Final Budget Positive (Negative) |
|-----------------------------------|-------------------------|------------------------|------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | \$0 | \$0 | \$0 | \$0 |
| Expenditures | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| Net Change in Fund Balance | 0 | 0 | 0 | 0 |
| Fund Balance - Beginning of year | <u>45,000</u> | <u>45,000</u> | <u>45,000</u> | <u>0</u> |
| Fund Balance - End of year | <u><u>\$45,000</u></u> | <u><u>\$45,000</u></u> | <u><u>\$45,000</u></u> | <u><u>\$0</u></u> |

ASH TOWNSHIP

Fire Equipment Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended March 31, 2007

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|-----------------------------------|------------------|-----------------|------------------|---|
| | Original | Final | | |
| Revenues | | | | |
| Property taxes | \$121,000 | \$121,000 | \$148,460 | \$27,460 |
| Interest | 12,000 | 12,000 | 28,388 | 16,388 |
| Total Revenue | 133,000 | 133,000 | 176,848 | 43,848 |
| Expenditures | | | | |
| Public safety: Equipment | 51,000 | 76,000 | 56,464 | 19,536 |
| Net Change in Fund Balance | 82,000 | 57,000 | 120,384 | 63,384 |
| Fund Balance - Beginning of year | 0 | 0 | 634,355 | 634,355 |
| Fund Balance - End of year | <u>\$82,000</u> | <u>\$57,000</u> | <u>\$754,739</u> | <u>\$697,739</u> |

ASH TOWNSHIP

Library Debt Service Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended March 31, 2007

| | Budgeted Amounts | | | Variance with Final Budget Positive (Negative) |
|-----------------------------------|------------------|----------|-----------|---|
| | Original | Final | Actual | |
| Revenues | | | | |
| Property taxes | \$75,000 | \$75,000 | \$81,475 | \$6,475 |
| Interest income | 200 | 200 | 1,561 | 1,361 |
| Total Revenues | 75,200 | 75,200 | 83,036 | 7,836 |
| Expenditures | | | | |
| Debt Service: | | | | |
| Bond principal | 40,000 | 40,000 | 40,000 | 0 |
| Bond interest | 35,000 | 35,000 | 20,115 | 14,885 |
| Miscellaneous | 200 | 200 | 400 | (200) |
| Total Expenditures | 75,200 | 75,200 | 60,515 | 14,685 |
| Net Change in Fund Balance | 0 | 0 | 22,521 | 22,521 |
| Fund Balance - Beginning of year | 0 | 0 | 83,726 | 83,726 |
| Fund Balance - End of year | \$0 | \$0 | \$106,247 | \$106,247 |

ASH TOWNSHIP

Tax Collection
Statement of Changes in Assets and Liabilities
March 31, 2007

| | Balance April 1, 2006 | Additions | Deductions | Balance March 31, 2007 |
|---------------------------------|--------------------------|-----------------|-----------------|---------------------------|
| Assets | | | | |
| Cash | \$27,881 | \$8,465,069 | \$8,459,180 | \$33,770 |
| Accounts receivable | 0 | 12,285 | 12,285 | 0 |
| Total Assets | \$27,881 | \$8,477,354 | \$8,471,465 | \$33,770 |
| Liabilities | | | | |
| Due to State of Michigan | \$187 | \$1,869,090 | \$1,869,074 | \$203 |
| Due to Monroe County | 4,192 | 1,764,455 | 1,765,503 | 3,144 |
| Due to school districts | 2,461 | 3,835,826 | 3,838,110 | 177 |
| Due to other governmental units | 17,377 | 987,154 | 974,294 | 30,237 |
| Due to others | 3,664 | 8,544 | 12,199 | 9 |
| Trailer taxes | 0 | 12,285 | 12,285 | 0 |
| Total Liabilities | \$27,881 | \$8,477,354 | \$8,471,465 | \$33,770 |

ASH TOWNSHIP*Water and Sewer Fund**Comparative Statement of Revenues, Expenses, and Changes in Fund Net Assets
Years Ended March 31, 2007*

| | 2007 | 2006 |
|---------------------------|-------------|-------------|
| Operating Revenues | | |
| Charges for services: | | |
| Metered water sales | \$1,018,792 | \$1,066,182 |
| Sewer service charges | 113,779 | 116,972 |
| Maintenance fees | 78,669 | 71,810 |
| Water connection fees | 133,000 | 125,691 |
| Collection fees | 18,016 | 18,754 |
| | 1,362,256 | 1,399,409 |
| Penalties | 10,896 | 10,183 |
| Other revenue | 20,460 | 7,861 |
| | | |
| Total Operating Revenues | 1,393,612 | 1,417,453 |
| Operating Expenses | | |
| Sources of supply: | | |
| Wages | 12,123 | 10,967 |
| Contracted services | 103,524 | 103,923 |
| Utilities | 13,211 | 10,219 |
| Operating supplies | 46,520 | 12,644 |
| Water purchase | 414,063 | 439,241 |
| Depreciation | 23,119 | 23,118 |
| | 612,560 | 600,112 |
| Water transportation: | | |
| Wages | 57,220 | 49,734 |
| Contracted services | 98,062 | 69,306 |
| Operating supplies | 53,055 | 33,414 |
| Engineering fees | 24,816 | 2,672 |
| Depreciation | 221,474 | 221,474 |
| | 454,627 | 376,600 |
| Sewer transportation: | | |
| Wages | 3,014 | 4,275 |
| Contracted services | 700 | 5,986 |
| Operating supplies | 2,035 | 369 |
| Depreciation | 22,242 | 22,242 |
| | 27,991 | 32,872 |
| Meter maintenance: | | |
| Wages | 9,270 | 13,587 |
| Operating supplies | 16,649 | 23,543 |
| Depreciation | 765 | 783 |
| | 26,684 | 37,913 |

ASH TOWNSHIP*Water and Sewer Fund**Comparative Statement of Revenues, Expenses, and Changes in Fund Net Assets
Years Ended March 31, 2007*

| | 2007 | 2006 |
|---|--------------------------------|--------------------------------|
| Operating Expenses | | |
| Office and administration: | | |
| Wages | \$73,388 | \$66,330 |
| Fringe benefits | 21,056 | 18,603 |
| Retirement | 18,571 | 5,311 |
| Contracted services | 8,547 | 1,478 |
| Professional fees | 11,484 | 10,750 |
| Office supplies and maintenance | 13,117 | 22,033 |
| Telephone | 3,326 | 2,881 |
| | <u>149,489</u> | <u>127,386</u> |
| Total Operating Expenses | <u>1,271,351</u> | <u>1,174,883</u> |
| Net Operating Income (Loss) | 122,261 | 242,570 |
| Non-Operating Revenues (Expenses) | | |
| Special assessments | 2,636,452 | 102,528 |
| Developmental fees | 66,000 | 64,680 |
| Meter rental fees | 2,750 | 5,875 |
| Hydrant rental fees | 2,400 | 2,400 |
| Interest | 377,350 | 286,783 |
| Other | (1,897) | 18,250 |
| Interest expense | (190,588) | (152,610) |
| Paying agent fees | (1,729) | (2,186) |
| Amortization | (813) | 0 |
| | <u>2,889,925</u> | <u>325,720</u> |
| Total Non-Operating Revenues (Expenses) | <u>2,889,925</u> | <u>325,720</u> |
| Change in Net Assets | 3,012,186 | 568,290 |
| Net Assets - Beginning of year | <u>14,331,337</u> | <u>13,763,047</u> |
| Net Assets - End of year | <u><u>\$17,343,523</u></u> | <u><u>\$14,331,337</u></u> |



**COOLEY HEHL
WOHLGAMUTH & CARLTON**
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Township Board
Ash Township
Carleton, Michigan 48117

In planning and performing our audit of the financial statements of Ash Township as of and for the year ended March 31, 2007, in accordance with auditing standards generally accepted in the United State of America, we considered the Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control:

Water and Sewer Billing Corrections

During the audit, we noted that adjustments and corrections to the water and sewer billings did not have supporting documentation for the adjustment; and the employee that prepares the billings also enters the adjustments and corrections. This does not allow for control over the billing adjustments and corrections. We suggest that the Township implement a procedure to obtain authorization for billing adjustments and corrections.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiencies constitute material weaknesses.

Township Board
Ash Township

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Financial Statements

The Township does not have procedures in place to prepare financial statements in accordance with accounting principles generally accepted in the United State of America, including procedures to record accruals for revenues and expenditures, to track changes in capital assets, and to present required financial statement disclosures.

This communication is intended solely for the information and use of the Township Board, management, others within the Township and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Cooley Hehl Wohlgamuth & Carlton

July 3, 2007